

**CITY OF LODI
INFORMAL INFORMATIONAL MEETING
"SHIRTSLEEVE" SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JULY 31, 2001**

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, July 31, 2001 commencing at 7:05 a.m.

A. ROLL CALL

Present: Council Members – Howard, Land, Pennino and Mayor Nakanishi

Absent: Council Members – Hitchcock

Also Present: City Manager Flynn, City Attorney Hays, and Deputy City Clerk Taylor

B. CITY COUNCIL CALENDAR UPDATE

Deputy City Clerk Taylor reviewed the weekly calendar (filed).

City Manager Flynn announced that a few Council Members plan to visit Japan in the near future and asked that they clarify their intent in traveling as individuals or City representatives. Council Member Land stated he would travel as a representative of the Lodi Sister City Committee. Council Member Pennino stated he intends to travel as an official representative of the City of Lodi. Mayor Nakanishi concurred they would travel as City representatives, with Worker's Compensation to be a consideration. Mr. Flynn suggested that, although private funds or sponsorship will defer travel costs, this item should formally appear before the City Council for discussion.

C. TOPIC(S)

C-1 "Water/Wastewater Rates"

Public Works Director Prima provided financial background materials related to the Water/Wastewater funds (filed), documenting a steady decline in fund balances of 6% for water and 12% for wastewater. He reported that service fees were last increased for water in 1995 and for wastewater in 1991. A review of like agencies recommends that 10-25% of the operating budget be held in reserve, and City staff recommends an established Capital reserve for emergency situations of \$300,000 for water (cost of replacing a well) and \$600,000 for wastewater (unforeseen study results and legislative requirements).

In response to Mayor Nakanishi, Mr. Prima stated the City has drawn from the fund balance in the past and that, with the resolution of the PCE/TCE issue in our favor, these funds borrowed internally would be replaced.

In reply to Mayor Pro Tempore Pennino, City Attorney Hays explained that while the City's lender, Lehman Brothers, provides replacement funds for the attorneys, the City was not successful in negotiating a like reimbursement. The existence of the pending \$3 million in City funds, following the outcome of the case, would have little effect on the needs of the water/wastewater fund.

Mr. Prima stated that the City currently spends more than its revenue in maintenance only, with no prudent stance taken to replace older materials. Three main components effecting rates would be the dollar amount of account reserves, an infrastructure replacement program, and regulatory requirements. He stated

that the work to be done is considerable, and while rates could increase significantly, at present, the service fee for water is \$10 per month for a 3-bedroom home.

Mr. Prima reported that a program has been created and additional staff hired to work toward replacing an estimated 2 million feet of pipe. The program addresses critical components such as broken pumps or water mains, proactive pump and water main services, and the lagging condition of wastewater collection. He explained that unlike wastewater expenditures, water expenditures are more easily maintained with the securing of funds to address DBCP issues and a possible resolution to the PCE/TCE situation. He then added that while Raydon content, chlorination rulings, and possible fluoridation may be future issues that effect the fund balance – they are not items of concern at this time.

In response to Mayor Pro Tempore Pennino, Mr. Prima agreed that a comparison of cities would be beneficial, but suggested the study include same-age or older cities with similar infrastructure and maintenance issues. Mr. Prima noted it would further serve the City's needs to include a comparison of fee increase and alternative funding resources.

Mr. Prima reported that staff has estimated it would cost in excess of \$34 million to meet current regulatory requirements and to upgrade its wastewater plant to meet discharge requirements. Costs may be deferred through redevelopment, grant funds, project partners, a possible power plant, and increased water/wastewater rates.

Mayor Nakanishi shared that as Lodi's representative to the County's Water Advisory Commission, he is familiar with the proposed surface water supply project. He stated that since Lodi has well water, it would not need to take advantage of the opportunity to access the Middle Bar project, but expressed concern that a vote to raise water fees might influence the county's application with the state for the project.

Mr. Prima stated that since 1991, San Joaquin County has been involved in the state's application process to pursue a surface water supply project on the Mokelumne River at Middle Bar. Should the water supply become available to the City of Lodi, it is estimated to cost \$35 million to prepare our system to accept a connection to that supply. Mr. Prima reported that the County is now considering whether to complete the filing process, at an additional cost of \$2 – \$4 million, with no guarantee of approval.

Council Member Howard recalled that Council recently opposed staff's recommendation for water meter installations and asked Mr. Prima to give a short history on the topic. Mr. Prima explained that staff proposed installing water meters incrementally throughout the City, with system costs possibly being offset by grants, project partners, or loans, but no further exploration was done due to Council's decision. He further shared that the cost to install a meter is approximately \$1,000 per residence.

City Manager Flynn stated that while water meters will not conserve usage, they can be a tool for promoting conservation through offering rebate programs for low-flow toilets, showerheads, and drip-irrigation systems. He reported that the City provides untreated water to farmers, which reduces their well pump usage and reserves the water table. Inevitably, Lodi will need to acquire additional water in the future; this would likely be surface water and it is anticipated to be very costly. San Joaquin County lists Lodi as having the highest consumption rate in the county, which indicates that something must be done to promote conservation and extend our current resources.

At the request of Mayor Pro Tempore Pennino, Mr. Prima explained that the City's infrastructure replacement would require \$2.2 million for water and \$1.8 million for sewer, at an average cost of \$200 per foot of pipe. The work would be contracted to include pipes, valves, tie-ins, trenching, manhole repairs, fire hydrants, street repairs, and metering new service for residential. He noted that costs decrease when work can be done in conjunction with construction or improvement projects. Approximately 40% of all water/wastewater lines are located in back yards, which complicates replacement. It could take up to 15 years to replace all the 2" water pipes.

Council Member Land stated that the City of Lodi cannot afford to have its enterprise funds depleted or continue to neglect the aging infrastructure. Mr. Land recommended that staff review rates annually and encouraged Council to fast-track a replacement program before the system fails and pipes collapse.

Mayor Pro Tempore Pennino concurred with Mr. Land's direction that staff proceed expediently in providing a program of action.

Mr. Prima stated that staff would respond to Council's inquiries and requests for information as soon as possible and is scheduled to return to Council at a future meeting to provide options and a recommendation for an infrastructure replacement program.

PUBLIC COMMENTS:

- Eunice Friederich expressed concern that residential water rates are based on the number of bedrooms, noting that while some small homes have four or five families living in them, many widowed residents live alone in 3-bedroom homes, creating an unfair charging system. She stated that while meters would provide more accurate usage information, they are very expensive. Ms. Friederich asked that Council and staff find a more equitable system for billing, suggesting that perhaps a rate based on the number of people living in a residence would be a more accurate measure of water use than the number of rooms in a home.
- Mike Holly, representing a group with investments in Lodi, stated he knew of a benchmark program developed in Savannah, Georgia, in which underdeveloped areas received funds allocated toward development and infrastructure repairs, with a panel of individuals charged with reviewing and monitoring point of occupancy. Mr. Holly stated he has already contacted City staff and will provide them with a copy of this program for review.

D. COMMENTS BY THE PUBLIC ON NON-AGENDA ITEMS

None.

E. ADJOURNMENT

No action was taken by the City Council. The meeting was adjourned at 8:20 a.m.

ATTEST:

Jacqueline L. Taylor
Deputy City Clerk

Mayor's & Council Member's Weekly Calendar

WEEK OF JULY 31, 2001

Tuesday, July 31, 2001

Today Reminder 1st Semi-Annual Campaign Statements due to the City Clerk's office by *today* 5:00 p.m.

7:00 a.m. Shirtsleeve Session
1. Water/Wastewater Rates

Noon Retirement luncheon for Management Analyst, Sharon Blaufus, Hutchins Street Square ~ Kirst Hall.

4:00 p.m. *LAND* Howard. Ground Breaking Ceremony for Mary Graham Children's Shelter, French Camp.

Wednesday, August 1, 2001

9:00 - 11:00 a.m. *LAND* Howard. City Leaders Meeting with Assemblyman Anthony Pescetti, State Capitol.

7:00 p.m. City Council meeting
2 Closed Session items (NOTE: 6:00 p.m.)
6 Presentations
16 Consent Calendar items
One Public Hearing
3 Regular Calendar items

Thursday, August 2, 2001

Noon Chamber of Commerce Governmental Relations Committee meeting, Chamber office.

5:00 p.m. *Land and Pennino*. Lodi City Council and LUSD 2x2 meeting, Carnegie Forum ~ Large Conference Room.

Friday August 3, 2001

* Saturday, August 4, 2001

* 4:00 - 10:00 p.m. Greater Lodi Area Youth Commission's Wet-n-Wild, Lodi Lake Beach.

* Sunday, August 5, 2001

1:00 - 4:00 p.m. Reception at the Lodi Art Gallery in the Lakewood Mall featuring local artists.

Monday, August 6, 2001

Disclaimer: This calendar contains only information that was provided to the City Clerk's office

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Water/Wastewater Utility Issues

(In Two Parts)

Part 1 – July 31, 2001 Shirtsleeve

- **Declining Fund Balance**
- **Budget Objective #7- To Provide Resources to Maintain City's Infrastructure**
- **Regulatory & Other Requirements**
- **Direction/Next Steps**

Part 2 – Upcoming Shirtsleeve

- **Rates**
 - **History**
 - **Other Agencies**
 - **Rate Options for Lodi**

2001-03 FINANCIAL PLAN AND SUMMARY

CHANGES IN FUND BALANCE - WATER FUND

	1999-2000	2000-01	2001-02	2002-03
	Actual	Revised Budget	Recommended Budget	Proposed Budget
Revenues				
Tax Revenues				
Licenses and Permits				
Fines and Forfeitures				
Investment/Property Revenues	93,540	68,000	69,701	69,701
Revenue from Others				
Service Charges	3,966,830	3,843,000	3,969,185	3,830,605
Other Revenue	776,290	172,000	235,000	240,000
Total Revenue	4,836,660	4,083,000	4,273,886	4,140,306
Expenditures				
Operating Programs				
Public Safety				
Public Utilities	4,013,394	3,433,102	2,727,580	2,741,425
Transportation				
Leisure, Cultural and Social Services				
Community and Economic Development				
General Government				
Total Operating Programs	4,013,394	3,433,102	2,727,580	2,741,425
Bulk Power Purchase				
Other Purchases			52,310	
Capital Projects	1,649,809	1,603,471	1,114,025	545,000
Debt Service	226,946	228,013	227,975	227,975
Total Expenditures	5,890,149	5,264,586	4,121,890	3,514,400
Revenues/Expenditures (Over/Under)	(1,053,489)	(1,181,586)	151,996	625,906
Other Sources (Uses)				
Operating Transfers In	16,975			
Operating Transfers Out	(655,739)	(655,545)	(782,749)	(770,249)
Other Sources (Uses)	2,388,534	832,000	43,000	25,000
Cost of Medical care/dental, vision	(65,690)	(25,295)		
Total Other Sources (Uses)	1,684,080	151,160	(739,749)	(745,249)
Fund Balance Beginning of the Year	1,618,075	2,248,666	1,218,240	630,487
Fund Balance End of the Year				
Reserved for Debt Service				
Designated Reserve	2,248,666	1,218,240	630,487	511,144
Unreserved				
Total Fund Balance	2,248,666	1,218,240	630,487	511,144

2001-03 FINANCIAL PLAN AND SUMMARY

CHANGES IN FUND BALANCE - WASTEWATER FUND

	1999-2000	2000-01	2001-02	2002-03
	Actual	Revised Budget	Recommended Budget	Proposed Budget
Revenues				
Tax Revenues				
Licenses and Permits				
Fines and Forfeitures				
Investment/Property Revenues	281,356	305,000	268,983	268,983
Revenue from Others				
Service Charges	4,058,245	4,447,000	4,513,805	4,229,925
Other Revenue	114,857	92,000	116,000	116,000
Total Revenue	4,454,457	4,844,000	4,900,788	4,614,908
Expenditures				
Operating Programs				
Public Safety				
Public Utilities	3,009,068	3,272,570	3,427,190	3,401,135
Transportation				
Leisure, Cultural and Social Services				
Community and Economic Development				
General Government				
Total Operating Programs	3,009,068	3,272,570	3,427,190	3,401,135
Bulk Power Purchase				
Other Purchases			46,000	71,000
Capital Projects	635,736	944,000	853,025	476,000
Debt Service	806,770	803,070	812,385	817,465
Total Expenditures	4,451,574	5,019,640	5,138,600	4,765,600
Revenues/Expenditures (Over/Under)	2,883	(175,640)	(237,812)	(150,692)
Other Sources (Uses)				
Operating Transfers In	161,779			
Operating Transfers Out	(726,749)	(580,301)	(751,845)	(739,345)
Other Sources (Uses)	173,591			
Cost of Medical care/dental, vision	(125,809)	(83,100)	(118,300)	(118,300)
Total Other Sources (Uses)	(517,189)	(663,401)	(570,145)	(557,645)
Fund Balance Beginning of the Year	3,832,966	3,318,661	2,479,620	1,371,664
Fund Balance End of the Year				
Reserved for Debt Service				
Designated Reserve	3,318,661	2,479,620	1,371,664	363,327
Unreserved				
Total Fund Balance	3,318,661	2,479,620	1,371,664	363,327

Water/Wastewater Reserves

- Present City Policy – Minimum of 15% of annual operating expenses.
- AWWA – 5% annual surplus revenue over total expenses; six to twelve months of O&M expenses, plus one year's debt service.
- City of Tracy – 25% of annual operating plus one year's debt service.
- City of Stockton – 25% of annual operating plus capital reserve (unspecified amount)
- State Of California (Loan Fund Revenue Guidelines – 10% to 50% of annual operating plus capital reserve
- Consultant (Washington State) – 10% of operating, plus \$250,000 contingency reserve (emergency repairs), plus one year's capital costs.
- Recommended Reserve for Lodi Water/Wastewater Utilities:
 - 15% of annual operating expenses, plus
 - \$300,000 capital reserve in Water
 - \$600,000 capital reserve in Wastewater

Infrastructure Replacement

- Major City Objective: Provide Resources to Maintain City 's Infrastructure.
- Critical Components of Water/Wastewater System Being Maintained
- Replacement of Underground Facilities – Water Distribution Mains & Services and Wastewater Collection Pipes Is Lagging
 - Replacements Being Done In Conjunction With Other Projects
 - Need to Move Into a Pro-Active Replacement Program Has Been Recognized
 - Staffing Now In Place to Begin Program
 - New Budget (2 – Year) Includes \$300,000 (W) & \$200,000 (WW) per year
 - ✓ Will replace about 2,400 Ft. of pipe
 - ✓ W/WW systems have about 2 Million feet of pipe
 - ✓ 2,400 Ft. represents 0.12% of the system's total footage
 - ✓ At that rate of replacement, a pipe installed today would have to last 824 years before it gets replaced
 - Replacement on a 100-year cycle would require funding of \$2.2 Million per year for water & \$1.8 Million for sewer
 - Replacement on a 75-year cycle would require funding of \$3.0 Million for water and \$2.4 Million for sewer

Regulatory and Other Requirements

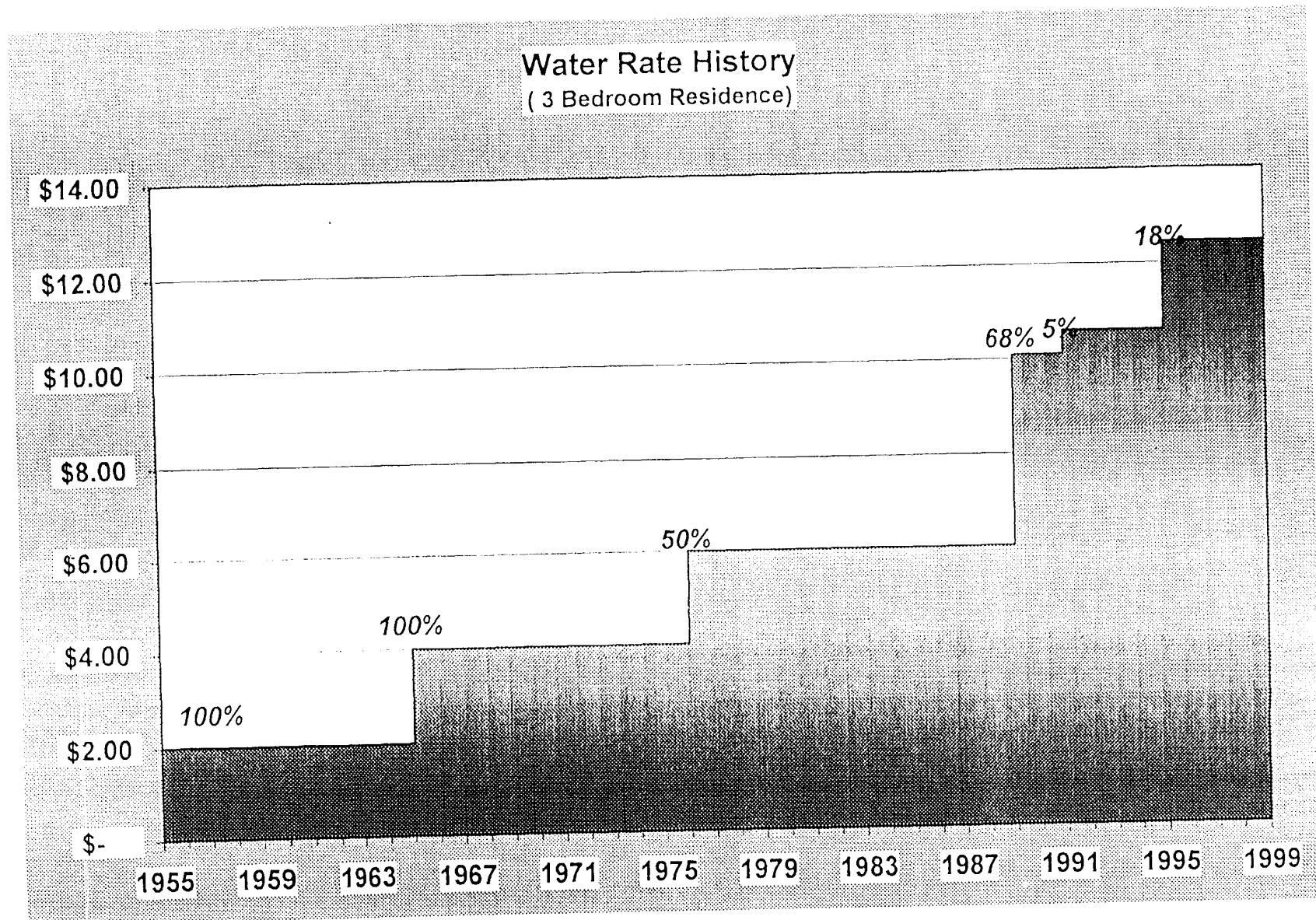
- Wastewater

- Meet New Discharge Permit Requirements
 - ✓ Estimates in \$34 Million Range
 - ✓ Other Agencies Seeing Additional Requirements & Cost
 - ✓ Some Portion of Cost Will Be Allocated To New Development
 - ✓ Possible Offsets – Grants & Project Partners
- Energy Cost ? ? ?
- General Cost of Living/Operations

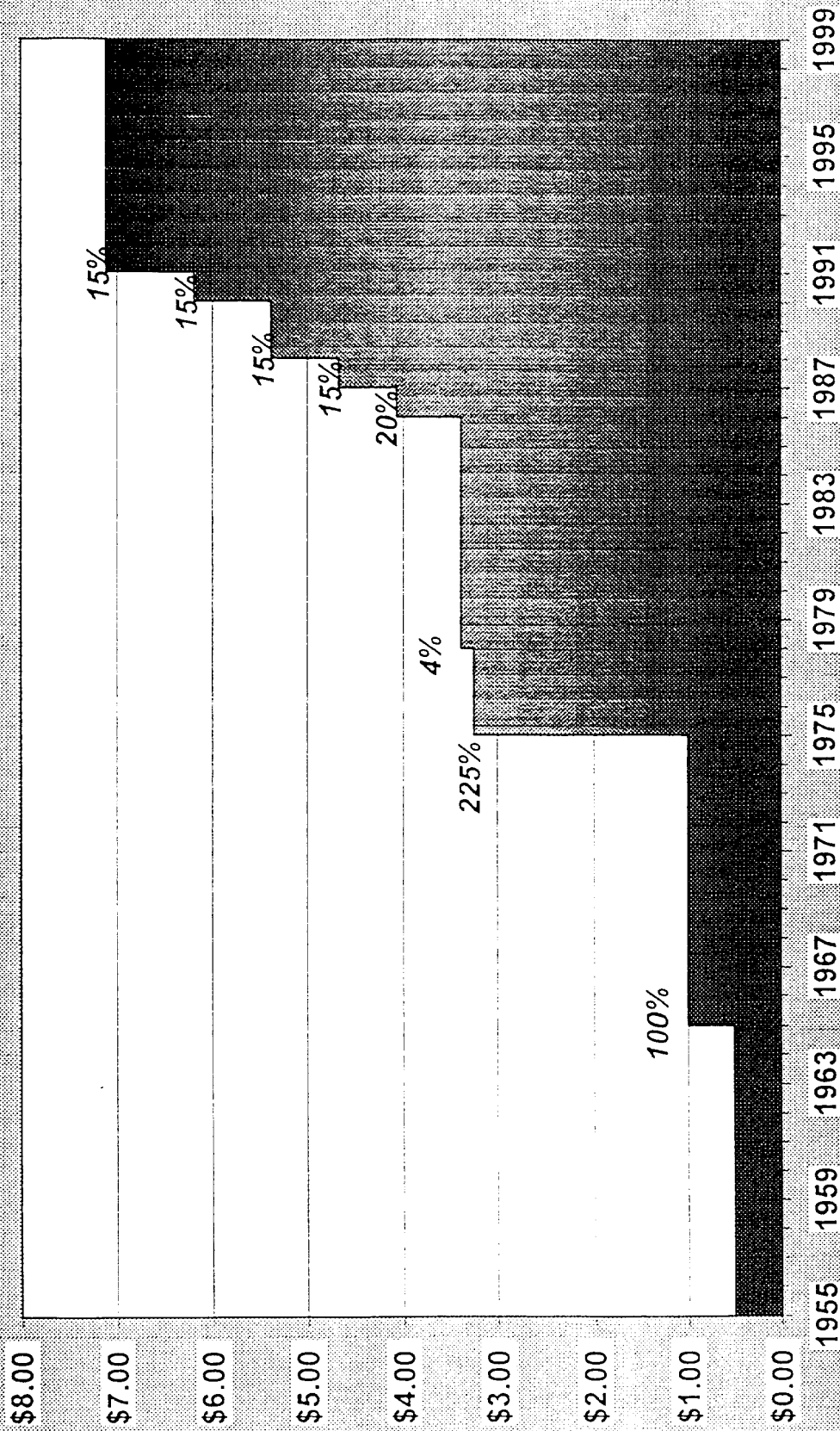
- Water

- Regulatory Requirements
 - ✓ Contaminants – DBCP, PCE/TCE, others
 - ✓ Naturally Occurring Elements – Radon, Arsenic
 - ✓ Fluoridation & Chlorination
 - ✓ Cost Impact Will Depend on Levels Established & Grant Funding
- Provide Additional Supply
 - ✓ Wide Range of Potential Costs -
 - \$35+ M. for Surface Water Transport & Treatment (If Available)
 - \$2 to \$4 M. for Prelim. Engineering & Permits for County Project
 - ✓ Conservation
 - ✓ Possible Offsets – Grants & Project Partners
- Energy Cost ? ? ?
- General Cost of Living/Operations

filed 7-31-01



Sewer Rate History (2 Bedroom Residence)



Rate Comparisons

State of California - FY 99/00 Survey Report - Wastewater Rates:

651 agencies reporting

Monthly Rates - All		Adv. Secondary	Tertiary
Low	\$4.25	\$7.12	\$5.90
Median	\$16.67	\$19.00	\$19.80
Average	\$19.71	\$21.17	\$22.55
High	\$91.38	\$52.25	\$76.17
Lodi		\$7.12	

Other San Joaquin County Wastewater Agencies:

Linden CWD	\$19.70	Escalon	\$10.12
Stockton	\$18.33	Manteca	\$9.22
Country Club SD	\$17.32	Lockeford CSD	\$8.50
Lathrop	\$14.74	Ripon	\$8.20
Tracy	\$17.50	Woodbridge SD	\$7.83

Black & Veatch - Statewide surveys

2001 Water 460 agencies		2000 Wastewater 420 agencies
Monthly Rates:		
Low	\$6.30	\$5.50
Median	\$28.03	\$15.79
Average	\$28.67	\$18.29
High	\$91.24	\$88.75
Lodi	\$12.45	\$7.12

Survey Cities - 2000 System Demographics

City	Population Served	# of customers:				Production Million Gals.	Source	Gallons/ capita/day
		Flat Rat	%	Metered	%			
Davis	61,500	-	0%	15,300	100%	4,500	Wells	200
Escalon	6,000	-	0%	1,940	100%	448	Wells	205
Lathrop	11,000	-	0%	2,894	100%	820	Wells	204
Madera	43,207	9,404	97%	303	3%	3,856	Wells	245
Manteca	51,000	-	0%	13,001	100%	4,108	Wells	221
Merced							Wells	
Ripon	10,100	2,897	91%	276	9%	1,260	Wells	342
Roseville	86,000	27,000	66%	14,000*	34%	8,356	Surface	266
Stockton		-	0%		100%		Wells(56%) Surface(44%)	
Tracy	58,900	-	0%	17,184	100%	4,680	Wells(45%) Surface(55%)	218
Turlock						7,148	Wells	
Vacaville	96,840	-	0%	24,448	100%	6,500	Wells(37%) Surface(63%)	184
Woodland	50,300	11,000	87%	1,700	13%	5,600	Wells	305
Yuba City							Wells(2%) Surface(98%)	
Average	47,485					4,298		239
Lodi	57,935	15,980		1,051		5,449	Wells	258

* Residential meters are installed but are not being read.

Avg. GPCD (metered): 205

Avg. GPCD (Flat): 283

City	Base Charge	Water Charge	Total for typical residence	Comments
Davis				
Metered	\$8.71 /mo.	\$0.49 /100 cu. ft.	\$18.54 /mo.	Water charge increases to \$0.68/100 cu. ft. for amount over winter use "base line".
Eşcalon				
Metered	\$11.29 /mo.	\$0.8185 /1000 gal. \$0.6122 /100 cu. ft.	\$23.62 /mo.	\$0.9004/1,000 gals. for 50,000-80,000 gal., greater than 80,000 gal. \$0.9904/1000 gal.
Lathrop				
Metered	\$10.24 /mo.	\$1.1300 /1000 gal. \$0.8452 /100 cu. ft.	\$27.19 /mo.	
Madera				
Flat Rate	\$9.72 /mo.	n/a	\$9.72 /mo.	For 1st 5,000 sq. ft. lot. Increases \$0.13 per additional 100 sq. ft.
Metered		\$0.37 /1000 gal.	\$5.55 /mo.	No base charge.
Manteca				
Metered	\$9.20 /mo.	\$0.43 /100 cu. ft.	\$20.17* /mo.	Water charge is \$0.57/100 cu. ft. for amount over 2,000 cu. ft. User tax of \$2.35 added to all accounts.
Merced				
Flat Rate	\$7.17 /mo.	n/a	\$7.17 /mo.	\$7.17 for first 10,000 SF, per table up to \$39.90 for 46,000 SF
Metered	\$17.78 /mo.	\$0.504 /100 cu. ft.	\$17.78 /mo.	Base charge includes water allowance up to amount under quantity rate (3,500 cu. Ft. for 3/4").
Ripon				
Flat Rate	\$17.86 /mo.	n/a	\$17.86 /mo.	Lot size up to 10,000 SF.
Metered	\$12.98 /mo.	\$0.900 /100 cu. ft.	\$18.43 /mo.	Base charge includes first 1400 cu. Ft.
Roseville				
Flat Rate	\$12.80 /mo.	n/a	\$13.44* /mo.	For single family lot between 4,901 and 8,900 SF; per table for other sizes
Metered	\$9.80 /mo.	\$0.40 /100 cu. ft.	\$14.51* /mo.	First 1,000 cu. ft. in base charge; water charge increases to \$0.43/100 cu. ft. for 5,000-15,000; \$0.46/100 cu. ft. for 15,000-25,000; \$0.49/100 cu. ft. for .25,000 cu. ft. plus 5% user tax.
Stockton (City)				
Metered	\$13.79 /mo.	\$0.665 /100 cu. ft.	\$29.30* /mo.	\$0.566/100 cu. ft. for amount over 30,000 cu. ft. plus 8% user tax.
Tracy				
Metered	\$9.85 /mo.	\$0.85 /100 cu. ft.	\$27.61 /mo.	Water charge increases to \$1.20 over 1,200 winter/1,800 summer cu. ft., \$1.40 over 1,900w/2,900s cu. ft., \$1.50 over 19,000w/28,700s cu. ft.
Turlock				
Flat Rate	\$13.45 /mo.	n/a	\$13.45 /mo.	\$7.05 for 0 to 5 rooms, \$7.90 for 6-8, \$8.70 over 8 plus charge based on parcel area (\$5.55 up to 5,500 SF, \$0.85 for each add'l 2000 SF)
Metered	\$9.45 /mo.	\$0.47 /1000 gal.	\$16.50 /mo.	Water charge decreases to \$0.40 over 50,000 gallons, \$0.17 over 150,000 gallons
Vacaville				
Metered	\$16.49 /mo.	\$0.69 /100 cu. ft.	\$32.66 /mo.	Water charge increases to \$0.98 over 1,200 cu. ft. 15% discount for senior citizens on base and consumption charge.
Woodland				
Flat Rate	\$7.45 /mo.	n/a	\$8.79* /mo.	For single family lot 5,000 to 10,000 SF; \$6.10 under 5,000 SF, \$9.10 over 10,000 SF (18% user tax reviewed every other year.)
Metered	\$3.90 /mo.	\$0.30 /100 cu. ft.	\$11.70* /mo.	
Yuba City				
Flat Rate	\$22.45 /mo.	n/a	\$22.45 /mo.	
Metered	\$12.35 /mo.	\$0.775 /100 cu. ft.	\$15.49 /mo.	Includes 1,500 cu. ft. minimum quantity
Average				
Flat Rate	\$11.36 /mo.	n/a	\$11.61 /mo.	
Metered	\$11.07 /mo.	\$0.553 /100 cu. ft.	\$20.05 /mo.	rates per 1000 gal. adjusted to 100 cu. ft.
Lodi				
Flat Rate	\$12.45 /mo.	n/a	\$12.45 /mo.	ranges from \$9.65 for 1 bedroom to \$25.84 for 7 br's.
Metered	\$11.43 /mo.	\$0.296 /100 cu. ft.	\$17.37 /mo.	Base charge does not include any water allowance.

Typical Residence Criteria:		Units (agency affected)	
Water Use:	15,000	gallons/month	(2,005 cu. ft.)
Parcel Area:	5,000	square feet	(Madera, Merced, Ripon, Roseville, Woodland)
Meter Size:	3/4"	size of service pipe is typically 1" minimum, meter is usually smaller	
Rooms:	6	number (Turlock)	
Bedrooms:	3	number (Lodi)	
*:		user tax added	